

June 21, 2006

John F. Carter
Regional Director
Federal Deposit Insurance Corporation
25 S. Jessie Street at Eker Square, Suite 2300
San Francisco, CA 94105

Re: Wal-Mart Stores, Inc. FDIC Application # 20051977

Dear Mr. Carter:

The undersigned members of the Sound Banking Coalition – the Independent Community Bankers of America, the National Association of Convenience Stores, the National Grocers Association and the United Food and Commercial Workers International Union – urge the FDIC to reject the Interagency Charter and Federal Deposit Insurance Application #20051977 (“the Application”) filed by Wal-Mart Stores, Inc. (“Wal-Mart”).

Former Congressman Tom Bliley testified on our Coalition’s behalf during the FDIC’s hearing on the Application on April 10th. One central aspect of that testimony was that Wal-Mart would use an ILC charter to engage in retail banking and open bank branches. Wal-Mart denied that it will use its charter for this purpose. Information has recently come to light, however, demonstrating that Wal-Mart’s denials are inconsistent with its actions.

On May 9, 2006, Reuters reported that Wal-Mart admitted its testimony to the FDIC was inaccurate. This testimony related to its claims that it would not engage in retail branch banking. As its primary argument supporting its claim, Wal-Mart pointed out the provisions of its leases with bankers currently doing business in its stores. Wal-Mart testified to the FDIC that only the bankers had the option as to whether to extend the initial term of the leases. That is simply false. At least some of Wal-Mart’s leases require both parties to agree to any extension. Wal-Mart claims that more than ninety percent of bank tenant locations are governed by leases in which the banker has the sole discretion whether to renew, but the only way to know for sure is for an independent party like the FDIC to review all of the leases. Regardless of the extent of this inaccuracy, the FDIC should consider whether a company that provides inaccurate testimony on such a fundamental point meets the criteria for approval of an application for FDIC insurance. In light of this episode, the FDIC must question whether there are other “inaccuracies” in Wal-Mart’s application and testimony. In particular, these facts suggest that what we have said all along is likely true – that Wal-Mart will, in fact, use an ILC charter to engage in retail, branch banking.

In addition, on May 12, 2006, Wal-Mart admitted that it has been seeking a senior manager to “oversee ‘new strategic initiatives’ in the mortgage business.” While Wal-Mart claims this position is intended to oversee a relatively obscure employee-benefit program whereby the company offers mortgages, this explanation is not consistent with the facts.

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Industry analysts and other observers said that this indicated an intention by Wal-Mart to move into full-service banking and the text of the e-mail sent by Wal-Mart's executive search firm describes a position that envisions an expansive role of moving Wal-Mart into new banking and financial services offerings for customers – not employees. This executive search further calls into question the veracity of Wal-Mart's claims that it does not intend to get into retail banking.

In addition, on May 12, 2006, it was reported that Wal-Mart lobbied against the original version of a Missouri bill intended to stop ILCs from opening branches in the state. This lobbying activity contradicts Wal-Mart's feigned indifference to these bills which it had publicly emphasized in the past. Once again, this lobbying activity indicates that Wal-Mart's plans for its ILC are more expansive than it has stated in its application to the FDIC or in its testimony.

The bottom line is that Wal-Mart has admitted to providing inaccurate testimony to the FDIC and repeated facts have come to light contradicting Wal-Mart's claims regarding plans for its ILC. Each of the articles reporting on these facts is attached for your review along with a copy of an e-mail sent by Wal-Mart's executive search firm. This mounting evidence casting doubt on Wal-Mart's veracity cannot be ignored and should lead the FDIC to the conclusion that we and the vast majority of the other individuals and groups submitting comments have urged – that Wal-Mart's application should be denied.

Thank you for your consideration of this comment.

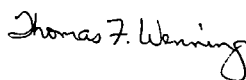
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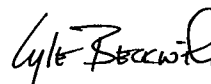
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Convenience Stores

Attachments

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May 10, 2006 Wednesday 12:45 AM GMT

LENGTH: 474 words

HEADLINE: UPDATE 1-Wal-Mart testimony inaccurate on bank leases

BYLINE: By Kristin Roberts

DATELINE: May 10, 2006

BODY:

(Adds comments from Wal-Mart, details)

WASHINGTON (Reuters) - Wal-Mart gave inaccurate testimony to U.S. regulators considering its application to open a bank, wrongly describing a provision of some leases signed by banks in its stores, according to leases obtained by Reuters.

The inaccuracy involves testimony Wal-Mart Stores Inc. gave to support its statement that it has no plans to replace community banks now in its stores with bank branches of its own.

The company last month told the Federal Deposit Insurance Corp., the agency reviewing Wal-Mart's application to start limited bank operations, that it has no plans to enter full-service banking, and it pointed to the leases signed by banks in its stores as evidence of its long-term plan to support independent banks.

Specifically, Wal-Mart told the FDIC that leases signed by banks were renewed at the discretion of the banks alone.

But documents seen by Reuters include a provision that requires both the bank and Wal-Mart to agree to renew.

According to industry sources, that provision is included in a handful, not all, of the leases signed by Wal-Mart's bank tenants.

RETAILER CITES 'OVERSIGHT'

Wal-Mart told Reuters it was an oversight and that the testimony it gave to the FDIC it had believed to be true.

The retailer's lawyers are still reviewing the leases to identify how many include the provision that requires mutual renewal of the lease agreement. But a spokesman for the company, which is the world's largest retailer, said it will be a very small percentage of the company's 1,150 active leases.

Wal-Mart also said financial institutions whose leases include the mutual renewal provision can have their agreement changed to let the bank alone decide on renewal.

"It was an oversight," said Marty Heires, Wal-Mart spokesman.

Wal-Mart has applied to open a type of bank known as an industrial loan company or ILC to process electronic payments from its stores -- transmitting payment requests from shoppers to credit card issuers and then transferring payments back to Wal-Mart.

As a result, a Wal-Mart bank would be a conduit for such payments.

UPDATE 1-Wal-Mart testimony inaccurate on bank leases Reuters News May 1

Bringing this function in house is expected to generate \$10 million in revenue by the third year of operation. While that amount is only a small fraction of Wal-Mart's total revenue, it reduces what Wal-Mart says is the inefficiency of paying a third party to pass information between its stores and customers' banks.

While the company has repeatedly said it would not offer banking services to the general public, critics of the Wal-Mart plan say they do not believe that the retailer has no intention to enter full-service banking in the future.

The Federal Deposit Insurance Corp., the agency considering Wal-Mart's bank application, is reviewing lease agreements, according to sources.

NOTES: FINANCIAL-BANKING-WALMART (UPDATE 1, REFILE)|LANGEN|RNA|FUN;
PUBLISHER: Reuters Ltd.

LOAD-DATE: May 10, 2006



[ajc.com](#) > [Business](#)

Wal-Mart critics assail bank plan

By [MARILYN GEEWAX](#)

The Atlanta Journal-Constitution

Published on: 05/12/06

Washington — Wal-Mart Stores Inc. confirmed Thursday it is seeking a senior manager to oversee "new strategic initiatives" in the mortgage business, but said the move does not signal an expansion into retail banking.

Some bankers, lawmakers and Wall Street analysts disagreed, saying they believe the executive search shows the retail giant is planning to move into full-service banking, despite promises to the contrary to federal regulators.

"This is the smoking gun. What more do you need?" asked Camden Fine, chief executive of the Independent Community Bankers of America. The trade group for small bankers is fighting Wal-Mart's application to the Federal Deposit Insurance Corp. for permission to launch a small, special-purpose bank.

Community bankers say Wal-Mart is being deceptive when it tells regulators it wants government-backed insurance only to operate a limited bank, known as an industrial loan company, to process its own stores' credit and debit card and electronic check payments.

They fear Wal-Mart, based in Bentonville, Ark., will expand to become a full-service, nationwide banking operation capable of wiping out competing banks in small towns by undercutting their prices.

Wal-Mart spokesman Martin Heires said interpreting the company's executive search as proof of a move into commercial banking is "absolutely off-base."

He said the search is related to an employee benefit program to help Wal-Mart workers in 43 states obtain relatively cheap home mortgages. By partnering with Nationwide Advantage Mortgage Co., Wal-Mart already offers its employees lower closing costs, reduced paperwork and quicker decisions on loans, Heires said.

The new executive would help expand that program, as well as improve existing programs offering customers simple financial services such as money orders, money transfers and credit cards through banking partners, he said.

Those basic services don't require federal insurance. Wal-Mart critics say the FDIC, which is weighing Wal-Mart's application for an ILC, should maintain the legal wall that has long separated commercial companies

from banks.

Earlier this week, Wal-Mart was faced with a new round of criticism when Reuters reported inaccuracies in the retailer's testimony to the FDIC. The company had told regulators it couldn't realistically expand into commercial banking because it already has long-term leases with banks that operate branches in its stores.

Wal-Mart said only the banks could end those leases. But Reuters reported, and the company later acknowledged, that leases with at least some banks could be renewed after five years only if both the banker and Wal-Mart approve.

Questions in Congress

That news, in addition to Wal-Mart's search for a mortgage executive, has raised hackles on Capitol Hill.

"We are beginning to see a pattern of misleading or false statements from Wal-Mart with regard to their interests in branch banking," Rep. Paul Gillmor (R-Ohio) said in a written statement Thursday. Gillmor, a member of the House Financial Services Committee, wants to restrain the proliferation of ILCs.

"If true, reports of easy loopholes for Wal-Mart to escape from their lease agreements with in-store bank branches, and the news that Wal-Mart is actively recruiting mortgage and strategic banking specialists, make the need for FDIC scrutiny of Wal-Mart's ILC application ever more important," Gillmor said.

He noted that Home Depot Inc. also is seeking an ILC. Other retailers, including Target Corp., already operate limited-purpose banks.

"We must consider the impact of giving a company a foot today when it intends to take a mile tomorrow," he said.

Fine, of the community bankers group, said he had a copy of the recruiting letter that laid out Wal-Mart's specification for a senior manager with "broad financial services experience." The letter, also obtained by Cox Newspapers, said the executive would have "direct contact" with Wal-Mart Chief Executive Lee Scott.

Fine said he did not believe Wal-Mart would hire an executive to work directly with Scott if he or she were merely overseeing a minor employee benefit program. "They absolutely are laying the groundwork for a full-service banking operation," he said.

Bart Narter, a senior banking analyst at Celent LLC, a Boston-based research and consulting firm, said Wal-Mart's explanation for hiring a new executive to help with employee mortgages made little sense. "That's an unusual benefit," he said. "Providing better health care coverage is more common."

Narter said he believes Wal-Mart is using its employee base to learn more about helping low- to moderate income families get mortgages — in preparation for its eventual push into retail banking.

The FDIC is expected to make its decision on Wal-Mart's application early in the summer.

Find this article at:

<http://www.ajc.com/business/content/business/stories/0512bizwalmart.html>

[REDACTED]

From: [REDACTED]
Sent: [REDACTED]
To: [REDACTED]
Subject: [REDACTED]

-----Original Message-----

From: John [mailto:jrast@kanzer.com]
Sent: Wednesday, May 10, 2006 10:00 AM
To:
Subject: RE: John Rast (Kanzer Associates) with a question

:

Thank you for your prompt response. The answer to your question is two-fold. I found your name through an [REDACTED] as well as the [REDACTED]. I wasn't sure what your title at [REDACTED] was and whether or not this position would be too early career for your skill set, but thought I would contact you just in case. I appreciate you taking the time to review this opportunity and was wondering if you had any thoughts/ideas about potential candidates and/or networking contacts. This search is only a couple of weeks old and to this point hasn't generated any significant leads. I realize that NW Arkansas isn't the most desirable location, but I believe if the right candidate took a day out of his/her schedule to just explore the possibilities with this position, he/she would definitely think it was worth his/her time.

, once again I thank you in advance for any assistance you can provide, and if it is ok with you, I will follow-up with you tomorrow.

Best regards,
John

John Rast
Kanzer Associates, Inc.
500 North Michigan Avenue
Suite 500
Chicago, IL 60611
Tel: 312-464-0945
Fax: 312-464-3719
jrast@kanzer.com

Hi John -

This looks very interesting. I wondered how you heard about me.

-----Original Message-----

From: John [mailto:jrast@kanzer.com]
Sent: Tuesday, May 09, 2006 4:30 PM
To:
Subject: RE: John Rast (Kanzer Associates) with a question

:

I am an executive recruiter in Chicago, and we have been retained to conduct a search for Wal-Mart Financial Services (WFS). Wal-Mart established WFS in 2001 to assist its customers who were unbanked and underserved by traditional banks and financial service organizations. Wal-Mart provides such services as money orders, money

transfers, credit and debit cards, along with gift cards and other services. WFS provides some of these services at rates that are well below standard market rates, which is keeping with their promise of "always low prices". The success of Wal-Mart has been well received by its customers and recognized internally for the contribution WFS has made to its growth and profitability.

WFS is searching for a Senior Product Manager, Business Development. This person will have broad responsibility for driving new strategic initiatives within WFS. WFS needs to find an executive who has a diverse skill set of business/product development and strategic planning, along with proven competence and capability in managing large, multi-faceted, complex projects. This position will oversee three Product Management areas: mortgages, strategic banking, and access cards.

This is a terrific opportunity for an earlier career person with 4 to 8 years of broad financial services experience, who will have visibility with Jane Thompson, the President of WFS, as well as direct contact with Lee Scott, the Chmn./CEO of Wal-Mart and John Menzer, the Vice-Chairman. High visibility of this type does not often occur in the largest companies in the world. The candidate will be seen and will be expected to present concise new proposals, as well as evaluations of existing program results, to the executive leadership team.

I have attached the position specification, which outlines the scope and responsibilities, for your review. If this is not an opportunity for you, I would appreciate your thoughts on networking contacts. This position offers a six figure base salary with a 25% bonus and equity participation. There is also a complete relocation program and full benefit plan offered to the selected candidate.

I will call you on Thursday to speak with you about this opportunity and answer any of your questions. Thank you in advance for your time and for reviewing this information.

Best regards,
John

John Rast
Kanzer Associates, Inc.
500 North Michigan Avenue
Suite 500
Chicago, IL 60611
Tel: 312-464-0945
Fax: 312-464-3719
jrast@kanzer.com

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Measure would keep bank branches out

Blunt undecided on Wal-Mart bill

Governor has until June 26 to weigh effects of proposal

By MARK DAVIS

The Kansas City Star

Missouri Gov. Matt Blunt has not decided whether to sign banking legislation approved Wednesday that would prevent the proposed Wal-Mart Bank from opening branches in the state.

- Missouri General Assembly
- MGA - Joint Bill Tracking

Blunt's spokeswoman said he had until June 26 to evaluate the bill's potential effect.

Wal-Mart Stores Inc. wants to open a special form of bank in Utah called an industrial loan company. It would process electronic payments such as credit and debit cards customers use at Wal-Mart stores. The retailer currently pays a fee to other banks for those services.

Bankers opposed the plans in public hearings last month in Overland Park partly on concerns the proposed Wal-Mart Bank would open branches inside stores. Wal-Mart officials could not be reached Thursday but have said previously that they have no plans to branch or offer loans through the proposed industrial loan company.

The Missouri bill would allow industrial loan companies and industrial banks to operate offices in the state, but none that accepts deposits or makes loans, state Sen. Delbert Scott said. The final bill was a compromise after Wal-Mart objected to an original form that would have prohibited these banks from having any kind of physical facility in the state.

"Quite frankly, they got what they wanted and we got what we wanted," said Max Cook, president and chief executive officer of the **Missouri Bankers Association**.

The state bill, Cook said, does not address all of the concerns bankers have about Wal-

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Mart's plans. Many said during the hearings that the company's plan would unduly mix banking and commerce.

To reach Mark Davis, call (816) 234-4372 or send e-mail to mdavis@kcstar.com.



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